

SENATE BILL REPORT

SB 5691

As Reported By Senate Committee On:
Ways & Means, February 21, 2007

Title: An act relating to the near general fund and requiring revenue forecasts thereof.

Brief Description: Defining the near general fund and requiring revenue forecasts thereof.

Sponsors: Senators Zarelli, Prentice and Roach.

Brief History:

Committee Activity: Ways & Means: 2/06/07, 2/21/07 [DPS].

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5691 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Fairley, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Steve Jones (786-7440)

Background: Initiative 601, enacted in 1993, established a state General Fund expenditure limit and restrictions on state fee and revenue increases. Each fiscal year, the General Fund expenditure limit is "rebased," based on the actual General Fund expenditures in the prior fiscal year, plus a fiscal growth factor based on state personal income growth.

Under legislation enacted in 2005 and taking effect for the 2007-09 biennium and thereafter, the state expenditure limit will apply to the state General Fund and five additional funds, which are defined as "related funds": Health Services Account; Violence Reduction and Drug Enforcement Account; Public Safety and Education Account; Water Quality Account; and Student Achievement Fund.

The Education Legacy Trust Account was established by the Legislature in 2005 and may be used solely for deposits into the Student Achievement Fund and for expanding access to higher education through funding for new enrollments and financial aid, and other educational improvement efforts.

The Pension Funding Stabilization Account was established in 2006 and may be used solely for state government employer contributions to specified state retirement systems.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Under current law, unspent General Fund appropriations are swept into the Savings Incentive Account at the end of each fiscal year. This mechanism is used to avoid the lapsing of unspent General Fund appropriations, thereby preventing reductions in the state expenditure limit that would otherwise occur as a result of the "rebasings" clause in Initiative 601.

Under the Savings Incentive Account statute, lapsed General Fund Appropriations are allocated as follows:

- The agency generating the savings can retain one-half of the money that is not attributable to caseload savings, specific budget provisos, retirement contributions, or debt service;
- The remaining funds are deposited to the Education Savings Account. Ten percent of this account goes to higher education fellowships and the remainder goes to K-12 construction and technology projects.

Summary of Bill: Effective July 1, 2008, the state General Fund and the five "related funds" are redefined to be the "near General Fund" and two additional funds are added: the Education Legacy Trust Account and the Pension Funding Stabilization Account.

The Economic and Revenue Forecast Council is directed to make official state revenue forecasts for all near General Fund revenues.

EFFECT OF CHANGES MADE BY RECOMMENDED SUBSTITUTE AS PASSED COMMITTEE (Ways & Means): Effective July 1, 2008, the Education Legacy Trust Account is included as part of the "near General Fund," but not the Pension Funding Stabilization Account. Effective for the 2007-08 fiscal year, the Savings Incentive Account mechanism is applied to the unspent appropriations of all of the accounts included in the near General Fund.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: The bill has multiple effective dates.

Staff Summary of Public Testimony: PRO: The bill provides a unified definition of terms used to describe state funds and accounts that are subject to the state expenditure limit. Using common terms for budget discussions will increase public understanding of the budget process. The business community supports the bill because the revenue forecasts will provide a complete picture of the General Fund and those funds that are closely related to the General Fund.

Persons Testifying: PRO: Senator Zarelli, prime sponsor; Amber Carter, Association of Washington Business.